

Mr. HEES: All suggestions will be given very serious consideration, Mr. Chairman.

Mr. SMALLWOOD: Mr. Chairman, it seems that from time to time the railroad comes before the commission asking for freight increases, and at no time have they suggested that decreases should become effective. All the big business is carried on on volume and less profit. It does seem that the railroad will not even consider that.

In our town we have a line and all the merchandise is coming in by trucks. The train is running through that town, and the station agent contacted all the merchants regarding freight haul. They said that the railway could not compete with trucks. But the railway would not consider this at all.

Therefore, I travelled in a freight car, and in one car there were two men, one piece of pipe and some eggs. We had the car, we had the men, and that train could have been bringing in revenue of \$100 a month. That one line is considered as being competition. Now we have cars being hauled by truck. If the railways would consider becoming competitive, we would not have so much trouble with these freight rate increases.

Mr. HEES: I think that is something that could more properly be brought up when the affairs of the Canadian National Railways come before the house, because that is a matter of railway policy and not board policy.

Mr. MACINNIS: Mr. Chairman, getting back to the wage increase—this increase was not entirely due to wages, but was partly over-all picture.

Mr. HEES: That is right.

Mr. DRYSDALE: Mr. Chairman, I wonder if I could get back to a slightly different point. According to this particular bill there is \$20 million over one year on the items that had the 17 per cent and will permit a reduction of 7 per cent.

I wonder if Mr. Knowles or anybody has made any calculation as to what it would be, say, on the items, that had only 16, 15, or 14 per cent, or has there been any similar calculation on perhaps the remaining group? In other words, to have a 7 per cent reduction on the items less than 17 per cent, how many dollars would be required—would it be \$40 million, \$50 million, \$100 million? I just want to try and put it roughly in respect of the \$20 million.

Mr. KNOWLES: As I said before, I do not think the railways advanced their rates in that manner. They take the full 17 per cent, or they do not take it at all, or they put in the 17 per cent first, and if they find it is too high, they put the rate in a competitive tariff.

So far as we are concerned, under this bill that rate just disappears and we make no calculations to that effect. I might say that when you gentlemen start figuring these percentages, there is a factor in here that I should mention so that you will not be confused. Of the \$348.3 million the railways estimated, in the last case, that they would not get the full 19 per cent that they asked for, because any increase in freight rates drives a certain amount of traffic away.

The C.P.R. figures that they would have 22 per cent of their traffic disappear, and the C.N.R. figures 20 per cent—or vice versa; I do not know which. But those are the two figures for the two roads. So that if you multiply the 19 per cent by the amount of traffic in these reports, it does not come to the amount that the railways expected to get. There is that factor in it.

With a smaller increase of 10 per cent instead of 17 per cent, I took the figure of 19 per cent, which reduces the amount of traffic on which the reduction will apply to \$282,100,000. That is the figure to which 56 and 26 and 16 per cent should be applied. That takes care of the factor that you are concerned about as traffic. Where they put something on, your traffic disappears, so they do not put an increase on it. That is the factor which the railways have allowed, up to 22 per cent. I took 19 per cent.